90TH CONGRESS 2d Session | HOUSE OF REPRESENTATIVES | REPORT No. 1586

CIVIL SERVICE RETIREMENT FINANCING

JUNE 26, 1968.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. DANIELS, from the Committee on Post Office and Civil Service, submitted the following

REPORT

[To accompany H.R. 17682]

The Committee on Post Office and Civil Service, to whom was referred the bill (H.R. 17682) to amend subchapter III of chapter 83 of title 5, United States Code, relating to civil service retirement, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

AMENDMENTS

The amendments are as follows:

(1) Page 2, lines 8 and 13, strike out the period and insert a semicolon in lieu thereof.

(2) Page 4, lines 1 and 2, strike out "Vice President" and insert in lieu thereof "President of the Senate";

(3) Page 4, line 5, strike out "60" and insert in lieu thereof "90";

(4) Page 6, line 6, insert the word "the" immediately after the words "in connection with"; and

(5) Page 8, line 20, immediately after the period insert quotation marks.

(6) Page 10, line 21, strike out "(d)(3)" and insert in lieu thereof "(b)(1), (d)(3),".

EXPLANATION OF AMENDMENTS

The committee amendments (1), (2), (4), (5), and (6), which are technical in nature, either correct typographical errors in the introduced bill or provide perfecting language.

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Committee amendment (3) constitutes a substantive change whereby within 90 days, rather than 60 days as in the introduced bill, adverse action by either body of the Congress will preclude any administrative proposal to further increase the percentage rate of employee and employing agency contributions.

Purpose of H.R. 17682

The major purpose of this legislation is to improve the financing and funding practices of the civil service retirement system, so as to maintain confidence in the soundness of the retirement fund and to assure that the necessary money is available when needed to pay the annuities of Government's retirees and survivor annuitants in full and on time.

It is also the purpose of this legislation to provide certain limited, but needed, improvements in the benefits structure of the system within the limits of the new financing approach.

BACKGROUND

The Subcommittee on Retirement, Insurance, and Health Benefits of the Committee on Post Office and Civil Service for several months devoted its full time and attention, in extensive public hearings, executive sessions, and conferences with the official representatives of agencies of the executive and legislative branches, to a searching review of the financial condition of the civil service retirement system—a program which is a vital part of the Federal employment system, and one of paramount importance to the Government's millions of retired, active, and future employees and their families.

The subcommittee's aim was to attempt to recognize the problems resulting from past and present funding practices, to resolve any doubts of the system's financial integrity, and to develop a definite plan of action to insure its ability to fulfill its obligations. The results of the indepth study most assuredly attest to the fact that any doubt which exists as to the system's ability to meet future commitments is attributable to funding practices that have been grossly inadequate since the program's very inception in 1920.

Federal employees have always contributed the full amount set by law, but, while the Government has contributed substantial sums to the trust funds, it has failed to appropriate regularly and systematically, on a concurrent basis, sufficient funds to meet the ultimate costs not covered by employees' contributions. In past years several methods for determining appropriations to meet the Government's obligation to the system have been considered, and some were adopted. However, attitudes of various administrations, Congresses, and committees have changed from time to time, but facing the problem realistically has been long delayed.

Statement

EXECUTIVE AND LEGISLATIVE RECOMMENDATIONS

Retirement system financing has been a problem of continuing concern to the Congress, to its respective committees, and to officials of the executive branch. The history of actuarial reports has indicated successively for a long time past an increasingly pessimistic view with respect to actuarial costs and liabilities under the escalating benefits and other liberalizations in the specifics of the civil service retirement program. The financing provisions of this legislation, the product of a common effort, are based, in part, on—

> the recommendations of the Chairman of the U.S. Civil Service Commission, as contained in his letter of June 8, 1967, and embodied in H.R. 10912; the Comptroller General of the United States, as contained in his report (B–130150) to the Congress of April 24, 1967; and
>
> the joint proposal of those officials, as set forth by the Chairman of the Civil Service Commission in his letter of March 22, 1968, which is included in title I of H.R. 17682, as amended.

These letters of transmittal are appended under the heading "Agency Reports."

PAST RETIREMENT SYSTEM POLICIES AND PRACTICES

Since its enactment in 1920, the Civil Service Retirement Act has made provision for mandatory employee retirement system contributions to be held in trust in the civil service retirement and disability fund. Expressed as a percentage of salary withheld, employee contributions have increased, by amendment to the act, from the original 2½ percent to the current 6½ percent that became effective in 1956. During the entire history of the civil service retirement system, employee contributions have approximated one-half the normal cost.

In contrast to the specific requirements covering employee contributions, the act, prior to 1958, contained a statement to the effect that the Governmen's share would be financed by the submission of appropriation estimates necessary to finance the system "* * * and to continue this act in full force and effect." As a result, a number of methods for determining appropriations to cover the Government's share of costs have been used during this period of nearly 48 years. In the first 8 years, appropriations were neither recommended nor enacted, and benefit disbursements were financed by employee contributions to the fund. From 1929 to the World War II period, appropriations were generally recommended on a basis sufficient to cover normal cost and to amortize the unfunded liability by the end of the century. From 1929 through 1949, enacted appropriations coincided with Presidential recommendations.

In the 8-year period 1950–57, appropriations based on several different methods were recommended by the President. The Congress enacted lower appropriations on five occasions, higher amounts twice, and on one occassion approved the amount proposed. The budget recommendation for the fiscal year 1953 was based on normal cost plus amortization over a 30-year period and was reduced somewhat by the Congress. Recommendations for appropriations to cover normal cost plus interest for each of the years 1950, 1951, 1952, and 1954 were reduced by the Congress. A recommendation for 1955 to cover only the additional cost of annuities increased by a then-recent enactment was approved by the Congress. On the other hand, requested appropriations for 1956 and 1957, computed on the basis of the Government's share of costs for current disbursements less the interest on its equity in the fund, were increased.

The present method of financing was recommended by the Civil Service Commission and enacted by the Congress in the Civil Service Retirement Act Amendments of 1956 (Public Law 84–854), effective at the beginning of fiscal year 1958. Under it, each employing agency contributes to the fund, from its appropriations for payment of salaries, amounts equal to deductions from the salaries of its covered employees at the rate of 6½ percent, and the rate is 7½ percent for Members of Congress. Adoption of the agency contribution provision achieved the desirable objective of assuring annual income approximating normal cost.

However, agency matching contributions are not sufficient to meet fully the Government portion of retirement cost, because no significant provision is now being made toward the unfunded liability or even toward the interest on it. In recognition of this fact, the Congress provided in section 17(e) of the 1956 amendments (now sec. 8348[f] of title 5, U.S.C.), that the Commission submit estimates of the appropriations necessary to finance the fund on a normal cost-plus-interest basis. The Congress did not, however, require automatic appropriation of amounts so estimated, leaving final determination of amounts to be recommended for this purpose to the discretion of the President. Accordingly, the Commission's estimates have been forwarded to the Bureau of the Budget for consideration as part of the normal process of formulating the executive budget. The President's final determination has been made only after consideration of the financial status of the system, including its unfunded liability, in the light of the general fiscal situation of the Government. This procedure is in keeping with the tradition of executive development of the budget.

The President did not request an appropriation to the retirement fund in his budgets for the fiscal years 1959 and 1960, beyond the amounts to be appropriated to the various agencies. For the fiscal year 1959, Congress voted an appropriation to the fund of $589 million more than the agencies' contributions included in the President's budget. This amount plus employee and agency contributions equaled full normal cost plus interest. The President vetoed this bill, and Congress accepted his view.

For the fiscal years 1961 and 1962, appropriations were made to the fund for the specific purpose of continuing in effect certain annuity increases and new survivor benefits provided by Public Law 85–465; for the fiscal year 1963 and each fiscal year thereafter, appropriations have been requested and made to cover the benefits provided by Public Law 87–793. Otherwise, no appropriations beyond the matching agency contributions have been made.

The establishment of the civil service retirement fund suggested the intention that primary dependence for meeting benefit obligations would rest on contributions and investment income rather than on "the full faith and credit of the United States." However, it is now generally accepted that Federal staff retirement systems, backed by the credit of the United States, need not accumulate reserves on the basis required of private pension plans. Reflecting the interaction of political, socioeconomic, and fiscal considerations, national policy, rather than concepts of actuarial practice, has played the controlling role in final funding decisions. Therefore, the extent to which reserves are accumulated under a Federal retirement system, and its actuarial soundness, cannot be appraised on the same basis as in private plans.

The historical pattern of employee-employer contribution to the retirement fund supports the conclusion that deficiencies; that is, accrued liabilities for which contributions to the fund have not been made (unfunded liability), are the responsibility of the Government as employer. The major causes of such deficiencies have been—

(1) creditable service for which neither the employee nor the employer contributed,

(2) general wage increases which result in benefits based on a higher pattern of salaries than that upon which at least a portion of contributions is based,

(3) liberalizations applying to benefits based on past and/or future service without a commensurate increase in contributions, and

(4) loss of compounded interest income which would have been earned if the accrued liability had been fully funded.

Prompted in part by the recommendations of the Kaplan committee [1] and in part by a recognized need for a more orderly system of Government contributions, legislation was enacted in 1956 which increased employee contributions to 6½ percent of salary and required each agency to transfer an equal amount from its appropriations to the retirement fund. The combined contribution rate of 13 percent was estimated to be slightly less than the normal cost at that time. Although, as indicated, the unfunded liability has continued to increase, the current Government contribution of 6½ percent of payroll has nevertheless resulted in a considerably larger payment to the fund than did the direct appropriations of prior years. In addition, under normal-cost financing there is now a more accurate reflection of personnel service costs in the annual administrative budget.

[1] The Committee on Retirement Policy for Federal Personnel, created by Public Law 82–555. (See S. Doc. 89, 83d Cong.)

In the meantime, the philosophical underpinning of retirement benefits in the private sector of the economy has evolved from a gratuity for "long and faithful service" to what employees have come to consider an earned right. Under the civil service retirement system, the establishment of a trust fund in the tradition of private insurance and/or pension plans (but with an investment portfolio limited to the national debt) coupled with mandatory employee contributions has further bolstered the concept of an earned right to benefits and an employee equity in the fund.

None of the several methods of financing proposed from 1920 through 1957 provided for an automatic reflection of the Government's share of retirement costs in annual appropriations. Because employee contributions annually exceeded benefit payments, the expansion of Federal employment during the 1930's and 1940's further obscured the potential impact of an ever-increasing unfunded liability. However, the stabilization of employment during the early fifties, combined with sporadic and inadequate employer contributions, made it apparent that as the system matured, annual trust fund revenues would soon be less than benefit payments.

For the reasons listed above, the deficiency of the fund rose from an estimated $20.4 billion in 1953 to $27.5 billion in 1958, and, after 5 years of funding normal costs only (approximate), to $37.7 billion by the end of fiscal year 1963. On June 30, 1965, the deficiency was about $40 billion and, because of recently enacted pay and annuity increases, it is now expected to reach a level of $55 billion by the end of the fiscal year 1968.

The following table shows the progress of the fund from its inception in 1920 through fiscal year 1967:

CIVIL SERVICE RETIREMENT AND DISABILITY FUND—OPERATING RECEIPTS AND DISBURSEMENTS AND BALANCE IN THE FUND FOR THE FISCAL YEARS 1921 TO 1967

[Cents omitted; therefore details may not add to totals]

Fiscal year ended June 30	Receipts				Disbursements					Transfers from (+) to (−) other retirement systems	Balance in fund June 30
	Salary deductions, voluntary contributions, and service credit payments	Government appropriations and/or agency contributions	Interest and profits on investments	Total receipts	Payments to retired employees	Payments to survivor annuitants	Payments of refunds and death claims	Administrative expense	Total disbursements		
1921–28	$142,729,500		$13,211,143	$155,940,643	$51,032,215		$21,923,168		$72,955,384		$82,985,259
1929–35	208,291,396	$145,450,000	57,360,736	411,102,133	185,158,325		35,731,558		220,889,883	−$1,467,800	271,729,708
1936–40	186,851,456	321,843,280	82,147,062	590,841,798	272,080,148		37,366,674		309,446,822	−3,162	553,121,521
1941–45	926,000,895	671,241,799	214,024,652	1,811,267,346	351,846,148		136,235,709		488,081,858	−79,358	1,876,227,651
1946–50	1,451,079,693	1,243,583,880	551,909,068	3,246,572,642	615,912,850	$8,387,864	679,574,736		1,303,875,451	+23,304,509	3,842,229,352
1951	374,872,990	307,117,455	164,561,022	846,551,467	185,421,904	10,897,666	72,534,135		268,853,707		4,419,927,112
1952	414,782,450	312,776,021	188,130,280	915,688,752	203,625,518	16,079,596	78,879,612		298,584,727		5,037,031,138
1953	420,034,454	325,304,154	214,609,442	959,948,051	246,711,418	23,472,466	91,023,429		361,207,314		5,635,771,876
1954	425,000,030	35,303,239	225,654,018	685,957,288	281,560,565	29,445,478	98,118,629		409,124,673		5,912,604,490
1955	440,284,878	33,678,729	234,377,235	708,340,843	310,280,639	34,858,748	82,655,739		427,795,126		6,193,150,207
1956	570,816,475	237,252,793	211,829,113	1,019,898,383	366,320,273	44,034,630	94,082,162		504,437,066		6,708,611,524
1957	640,522,470	530,632,662	220,793,978	1,391,949,112	425,645,499	53,021,114	109,522,080		588,188,694		7,512,371,942
1958	675,098,086	583,942,744	194,052,071	1,453,092,902	507,606,149	62,491,630	126,511,408		696,609,189		8,268,855,655
1959	761,722,957	754,129,236	219,749,314	1,735,601,507	601,050,915	84,501,208	106,063,345		791,615,469		9,212,841,693
1960	760,195,742	749,498,975	251,124,061	1,760,818,780	668,435,682	98,595,756	125,923,047		892,954,486		10,080,705,987
1961	855,640,591	890,192,793	281,633,944	2,027,467,328	736,741,184	111,198,621	115,071,522		963,011,328		11,145,161,987
1962	863,512,529	895,896,163	322,888,251	2,082,296,944	813,290,084	123,574,453	124,125,796		1,060,990,335		12,166,468,596
1963	933,943,173	950,852,817	362,290,266	2,247,086,257	914,105,941	141,051,575	120,610,355		1,175,767,871		13,237,786,982
1964	994,477,989	1,041,941,019	419,853,966	2,456,272,975	1,032,238,017	163,473,563	123,930,849		1,319,642,431		14,374,417,526
1965	1,066,846,060	1,115,356,476	482,170,944	2,664,373,481	1,126,017,513	181,532,265	130,119,909		1,437,669,688		15,601,121,319
1966	1,112,559,914	1,164,453,174	546,357,597	2,823,370,686	1,322,108,789	209,244,443	157,136,201	$42,821	1,688,532,255		16,735,959,750
1967	1,205,539,542	1,263,531,809	625,164,699	3,094,236,050	1,532,503,400	256,139,488	176,211,361	4,581,943	1,969,436,194		[1] 17,860,759,607
Total	15,430,803,279	13,573,979,227	6,083,892,873	35,088,675,380	12,749,693,186	1,652,000,573	2,843,351,435	4,624,764	17,249,669,960	+21,754,187	

[1] This balance is not a surplus. It is estimated that, as of June 30, 1967, the unfunded liability of the civil service retirement system was $48,103,000,000. This figure does not include any amount for benefits provided by pt. III of Public Law 87–793; if such benefits were considered, the figure would be increased by $2,154,000,000. The estimated normal cost of the system is 13.60 percent of payroll exclusive of pt. III of Public Law 87–793 which, if considered, would increase this figure by 0.26 percent of payroll.

CURRENT AND PROJECTED COST OF PRESENT SYSTEM

Upon full implementation, in 1968 and 1969, of the latest salary statute, and subsequent cost-of-living annuity adjustments, the deficiency is expected to exceed $60 billion by the fiscal year 1970. It is further estimated that under present funding practices the assets of the fund—currently $19 billion—will increase to $22 billion within the next several years, while the deficiency will simultaneously approach $70 billion.

However, in 1975 the disbursements will then begin to exceed the annual income of $3½ billion. Disbursements thereafter will continue to escalate appreciably over a relatively static income, and result in a declining fund balance. Consequently, to meet benefit payments, all disbursements in excess of current income will have to be met from the fund balance. Without additional funding, that balance will be totally exhausted by 1988. Immediately thereafter, disbursements will exceed income by $3½ billion, and will require direct appropriations to meet benefit payments. During ensuing years progressively higher amounts would be required until, at the turn of the century, the necessary direct appropriations would exceed $4½ billion. It is emphasized that these substantial sums will be in addition to the approximate $3 billion income received by the trust fund from then active employee and agency contributions.

The following, table A, shows the estimated progress of the retirement fund under present financing practices, and assumes liberalizations in benefits structure which increases normal costs by one-half percent and creates additional deficiencies of $2 billion:

TABLE A.—ESTIMATED PROGRESS OF THE FUND, WITH GOVERNMENT PAYMENTS MATCHING EMPLOYEE DEDUCTIONS AT 6½ PERCENT, PLUS DIRECT APPROPRIATIONS WHEN NEEDED TO MEET BENEFIT PAYMENTS

[Dollar amounts in millions]

Fiscal year	Employee deductions and deposits		Government payments			Interest at 3½ percent	Total receipts	Benefit payments	Balance in fund at end of year	Unfunded liability at end of year
			Agency contributions		Direct appropriations					
	Amount	As percent of payroll	Amount	As percent of payroll						
1968									$19,178	$53,938
1969	$1,380	6½	$1,365	6½		$676	$3,421	$2,457	20,142	56,040
1970	1,380	6½	1,365	6½		707	3,452	2,640	20,954	[1] 60,390
1971	1,380	6½	1,365	6½		732	3,477	2,835	21,596	62,823
1972	1,380	6½	1,365	6½		751	3,496	3,034	22,058	65,341
1973	1,380	6½	1,365	6½		764	3,509	3,232	22,335	67,947
1974	1,380	6½	1,365	6½		770	3,515	3,435	22,415	70,644
1975	1,380	6½	1,365	6½		769	3,514	3,639	22,290	73,436
1976	1,380	6½	1,365	6½		760	3,505	3,869	21,926	76,324
1977	1,380	6½	1,365	6½		744	3,489	4,093	21,322	79,314
1978	1,380	6½	1,365	6½		719	3,464	4,309	20,477	82,409
1979	1,380	6½	1,365	6½		686	3,431	4,521	19,387	85,612
1980	1,380	6½	1,365	6½		644	3,389	4,725	18,051	88,927
1981	1,380	6½	1,365	6½		593	3,338	4,937	16,452	92,358
1982	1,380	6½	1,365	6½		534	3,279	5,136	14,595	95,910
1983	1,380	6½	1,365	6½		466	3,211	5,324	12,482	99,586
1984	1,380	6½	1,365	6½		389	3,134	5,497	10,119	103,391
1985	1,380	6½	1,365	6½		303	3,048	5,658	7,509	107,329
1986	1,380	6½	1,365	6½		209	2,954	5,794	4,669	111,405
1987	1,380	6½	1,365	6½		108	2,853	5,923	1,599	115,623
1988	1,380	6½	1,365	6½	$1,702		4,447	6,046		118,285
1989	1,380	6½	1,365	6½	3,417		6,162	6,162		119,267
1990	1,380	6½	1,365	6½	3,528		6,273	6,273		120,171
1991	1,380	6½	1,365	6½	3,618		6,363	6,363		121,015
1992	1,380	6½	1,365	6½	3,710		6,455	6,455		121,795
1993	1,380	6½	1,365	6½	3,801		6,546	6,546		122,509
1994	1,380	6½	1,365	6½	3,893		6,638	6,638		123,155
1995	1,380	6½	1,365	6½	3,985		6,730	6,730		123,730
1996	1,380	6½	1,365	6½	4,108		6,853	6,853		124,200
1997	1,380	6½	1,365	6½	4,215		6,960	6,960		124,577
1998	1,380	6½	1,365	6½	4,310		7,055	7,055		124,871
1999	1,380	6½	1,365	6½	4,389		7,134	7,134		125,095
2000	1,380	6½	1,365	6½	4,454		7,199	7,199		125,260
2001	1,380	6½	1,365	6½	4,481		7,226	7,226		125,404
2002	1,380	6½	1,365	6½	4,506		7,251	7,251		125,527
2003	1,380	6½	1,365	6½	4,529		7,274	7,274		125,631
2004	1,380	6½	1,365	6½	4,548		7,293	7,293		125,719
2005	1,380	6½	1,365	6½	4,565		7,310	7,310		125,793
2006	1,380	6½	1,365	6½	4,575		7,320	7,320		125,860
2007	1,380	6½	1,365	6½	4,585		7,330	7,330		125,919
2008	1,380	6½	1,365	6½	4,594		7,339	7,339		125,971
2009	1,380	6½	1,365	6½	4,604		7,349	7,349		126,014
2010	1,380	6½	1,365	6½	4,613		7,358	7,358		126,050
2011	1,380	6½	1,365	6½	4,625		7,370	7,370		126,075
2012	1,380	6½	1,365	6½	4,635		7,380	7,380		126,091
2013	1,380	6½	1,365	6½	4,644		7,389	7,389		126,098
2014	1,380	6½	1,365	6½	4,649		7,394	7,394		126,100
2015 and after	1,380	6½	1,365	6½	[2] 4,652		7,397	7,397		126,100

[1] Liberalizations, effective July 1, 1969, assumed to create unfunded liability of $2,000,000,000.
[2] This amount is equal to interest on the then-existing unfunded liability, plus the annual deficiency in normal cost of 1½ percent of payroll.

CONCLUSIONS

The preceding table illustrates the magnitude of the problem with which the Congress is faced, and which it is imperative the Congress take prompt and positive action to solve.

The significance of expected continual deficiency increases is that the fund will ultimately be depleted unless action is taken to forestall this contingency. Thereafter, direct appropriations would be required each year, in addition to employee and employing agency contributions, in order to meet benefit payments as they fall due. Unless steps are taken to eliminate, or at least halt the growth of, the unfunded liability, the fund balances will be drawn down and substantial direct appropriations will be required to meet future obligations.

COMMITTEE'S FINANCIAL PROPOSAL

Through the common efforts of the Civil Service Commission, the Bureau of the Budget, the General Accounting Office, and the members of the subcommittee and its parent committee, a modified plan of action was developed which achieves most, if not all, of the objectives sought. Title I of the bill incorporates into the retirement law certain definitive terms essential to the implementation of its subsequent provisions. It contains a six-pronged approach to improved financing, and contemplates a system which will ultimately be 50-percent funded, in lieu of a system which, shortly, will be only 25-percent funded and, eventually, totally unfunded.

NORMAL COST

Normal cost is that level percentage of annual pay which, invested at interest, is required to cover the cost of benefits earned each year, starting for each employee at the time he is appointed.

Normal cost financing through equal employee-agency contributions is retained with respect to existing benefit structure. The normal cost of present benefits is equivalent to 13.86 percent of payroll, and those proposed in title II of this legislation equal an additional 0.07 percent, a total of 13.93 percent of current payroll. The current normal cost of 13.86 percent is attributable to the numerous liberalizing amendments and salary increases enacted since 1956, for which Congress has failed to proportionately increase contributions, thus resulting in underfinancing by slightly less than 1 percent of payroll.

Because of the inadequacy of current contributions, implementation of normal cost financing of the existing benefit structure requires an immediate 1 percent increase in the combined contribution rate from 13 to 14 percent of payroll (7 percent each for employees and agencies), effective in January 1969. The current member rate of 7½ percent and matching contribution rate are increased proportionately to 8 percent, respectively.

The bill provides for the added normal cost of future benefit liberalizations in behalf of the active work force to be shared equally by employees and agencies, and reflected in the upward adjustment of contribution rates in an amount, fixed at the nearest one-fourth of 1 percent, to cover the incremental normal cost of such liberalizations. This legislation authorizes the Civil Service Commission, when an adjustment is determined to be necessary to meet future added normal cost attributable primarily to future acts of Congress, to notify the Congress of a proposed increase. The higher percentage rates will become effective following 90 days of continuous session of Congress after such notice is given, unless before then either the House or Senate has passed a bill providing a different adjustment or sharing ratio (which would preclude the contemplated action), or either body has passed a resolution specifically disapproving the proposed increase.

It is emphasized that it is the committee's purpose, in vesting the authority in the Civil Service Commission to propose future contribution adjustments, to impose a discipline whereby the normal cost of future liberalizations will be recognized and financed on a pay-as-you-go basis. Moreover, not more than one adjustment may be proposed in any calendar year. Further, although the finite allocation of normal cost is technically possible, feasibility dictates that the exigencies of rounding to the nearest one-fourth of a percent prevails.

FUTURE UNFUNDED LIABILITIES

Unfunded liability is the amounts estimated to be needed to fully finance all benefits due employees and former employees, less money to the credit of the fund and that to be placed in the fund in the future.

The costs of future incremental unfunded liabilities that will result from benefit liberalizations for the active work force—extension of coverage to new groups of employees or general salary and wage increases—are to be fully financed by the Government through direct appropriations to the fund, in equal annual installments, over 30-year periods. The Government would assume full responsibility for additional deficiences thus created and, by amortization, preclude further increases in the existing unfunded liability.

This aspect of the legislation would automatically neutralize the depressing effect on fund balances that would result from future creation of incremental unfunded liabilities, as distinct from growth of the existing unfunded liability which will continue to occur because of loss of interest that would have otherwise been earned. The resulting annual appropriations request submitted to the Congress under this authority would be sufficient to cover all scheduled amounts due for a particular fiscal year. Adherence to this amortization principle will also result in the relatively accurate disclosure of currently accruing retirement costs. For example, an annual payment of approximately \$50 million would be necessary to amortize over 30 years, at 3½-percent interest, any liberalization which would otherwise add \$1 billion to the unfunded liability.

PRESENT UNFUNDED LIABILITY

While the system's existing unfunded liability, which has grown from \$32 billion in 1961 to \$55 billion in 1968, has been affected by numerous liberalizations of benefits, recurring general salary increases, and several automatic cost-of-living adjustments to annuitants, its major growth is attributable to the loss of interest on the unfunded liability currently aproximating $1¾ billion each year.

The bill provides for direct appropriations, under permanent indefinite authority, to be made to meet the Government's obligation for the presently increasing unfunded liability which arises from legislation already enacted, including that created in title II of this legislation, in amounts equivalent to interest on the future accrued deficiencies. This responsibility will be fulfilled beginning on a modest scale at the end of fiscal year 1971. The Secretary of the Treasury will transfer to the fund, from moneys not otherwise appropriated, the following percentages of amounts determined by the Civil Service Commission to be equivalent to interest on the then-existing unfunded accrued liability: 10 percent for 1971; 20 percent for 1972; and an additional 10 percent for each successive fiscal year until, for fiscal year 1980 and thereafter, the amount transferred will be the full equivalent of interest thereon.

Ten percent of the interest (currently evaluated at the yielding rate of 3½ percent) on an unfunded liability of $60 billion will require a transfer of over $200 million. A conceivable unfunded liability of $70 billion in 1980 would then become stabilized, and the full amount of interest thereon will approximate $2½ billion.

The following, table B, illustrates the estimated progress of the fund by the adoption of the preceding funding practices:

TABLE B.—ESTIMATED PROGRESS OF THE FUND, WITH GOVERNMENT PAYMENTS TO COVER (1) 50 PERCENT OF NORMAL COST;[1] (2) 30-YEAR-LEVEL AMORTIZATION OF NEWLY CREATED UNFUNDED LIABILITY;[2] (3) INTEREST ON THE UNFUNDED LIABILITY, COMMENCING AT 10 PERCENT OF SUCH INTEREST IN FISCAL YEAR 1971, 20 PERCENT IN FISCAL YEAR 1972, AND INCREASING BY 10 PERCENT EACH YEAR TO 100 PERCENT IN FISCAL YEAR 1980 AND THEREAFTER

[Dollar amounts in millions]

Fiscal year	Employee deductions and deposits		Government payments				Interest at 3½ percent	Total receipts	Benefit payments	Balance in fund at end of year	Unfunded liability at end of year
			Agency contributions		30-year-level amortization	Interest on unfunded liability					
	Amount	As percent of payroll	Amount	As percent of payroll							
1968										$19,178	$53,938
1969	$1,485	7	$1,470	7			$680	$3,635	$2,457	20,356	55,826
1970	1,537	7¼	1,522	7¼	$105		723	3,887	2,640	21,603	57,780
1971	1,537	7¼	1,522	7¼	105	$202	764	4,130	2,835	22,898	59,600
1972	1,537	7¼	1,522	7¼	105	417	806	4,387	3,034	24,251	61,269
1973	1,537	7¼	1,522	7¼	105	643	849	4,656	3,232	25,675	62,770
1974	1,537	7¼	1,522	7¼	105	879	896	4,939	3,435	27,179	64,088
1975	1,537	7¼	1,522	7¼	105	1,122	945	5,231	3,639	28,771	65,210
1976	1,537	7¼	1,522	7¼	105	1,369	996	5,529	3,869	30,431	66,123
1977	1,537	7¼	1,522	7¼	105	1,620	1,051	5,835	4,093	32,173	66,817
1978	1,537	7¼	1,522	7¼	105	1,871	1,108	6,143	4,309	34,007	67,285
1979	1,537	7¼	1,522	7¼	105	2,119	1,168	6,451	4,521	35,937	67,520
1980	1,537	7¼	1,522	7¼	105	2,363	1,232	6,759	4,725	37,971	67,520
1981	1,537	7¼	1,522	7¼	105	2,363	1,300	6,827	4,937	39,861	67,520
1982	1,537	7¼	1,522	7¼	105	2,363	1,362	6,889	5,136	41,614	67,520
1983	1,537	7¼	1,522	7¼	105	2,363	1,421	6,948	5,324	43,238	67,520
1984	1,537	7¼	1,522	7¼	105	2,363	1,474	7,001	5,497	44,742	67,520
1985	1,537	7¼	1,522	7¼	105	2,363	1,524	7,051	5,658	46,135	67,520
1986	1,537	7¼	1,522	7¼	105	2,363	1,571	7,098	5,794	47,439	67,520
1987	1,537	7¼	1,522	7¼	105	2,363	1,614	7,141	5,923	48,657	67,520
1988	1,537	7¼	1,522	7¼	105	2,363	1,654	7,181	6,046	49,792	67,520
1989	1,537	7¼	1,522	7¼	105	2,363	1,692	7,219	6,162	50,849	67,520
1990	1,537	7¼	1,522	7¼	105	2,363	1,727	7,254	6,273	51,830	67,520
1991	1,537	7¼	1,522	7¼	105	2,363	1,760	7,287	6,363	52,754	67,520
1992	1,537	7¼	1,522	7¼	105	2,363	1,791	7,318	6,455	53,617	67,520
1993	1,537	7¼	1,522	7¼	105	2,363	1,819	7,346	6,546	54,417	67,520
1994	1,537	7¼	1,522	7¼	105	2,363	1,846	7,373	6,638	55,152	67,520
1995	1,537	7¼	1,522	7¼	105	2,363	1,870	7,397	6,730	55,819	67,520
1996	1,537	7¼	1,522	7¼	105	2,363	1,891	7,418	6,853	56,384	67,520
1997	1,537	7¼	1,522	7¼	105	2,363	1,909	7,436	6,960	56,860	67,520
1998	1,537	7¼	1,522	7¼	105	2,363	1,924	7,451	7,055	57,256	67,520
1999	1,537	7¼	1,522	7¼	105	2,363	1,936	7,463	7,134	57,585	67,520
2000	1,537	7¼	1,522	7¼		2,363	1,943	7,365	7,199	57,751	67,520

See footnotes at end of table, p. 14.

TABLE B.—ESTIMATED PROGRESS OF THE FUND, WITH GOVERNMENT PAYMENTS TO COVER (1) 50 PERCENT OF NORMAL COST;[1] (2) 30-YEAR-LEVEL AMORTIZATION OF NEWLY CREATED UNFUNDED LIABILITY;[2] (3) INTEREST ON THE UNFUNDED LIABILITY, COMMENCING AT 10 PERCENT OF SUCH INTEREST IN FISCAL YEAR 1971, 20 PERCENT IN FISCAL YEAR 1972, AND INCREASING BY 10 PERCENT EACH YEAR TO 100 PERCENT IN FISCAL YEAR 1980 AND THEREAFTER—Continued

[Dollar amounts in millions]

Fiscal year	Employee deductions and deposits		Government payments				Interest at 3½ percent	Total receipts	Benefit payments	Balance in fund at end of year	Unfunded liability at end of year
			Agency contributions		30-year-level amortization	Interest on unfunded liability					
	Amount	As percent of payroll	Amount	As percent of payroll							
2001	$1,537	7¼	$1,522	7¼		$2,363	$1,948	$7,370	$7,226	$57,895	$67,520
2002	1,537	7¼	1,522	7¼		2,363	1,953	7,375	7,251	58,019	67,520
2003	1,537	7¼	1,522	7¼		2,363	1,957	7,379	7,274	58,124	67,520
2004	1,537	7¼	1,522	7¼		2,363	1,960	7,382	7,293	58,213	67,520
2005	1,537	7¼	1,522	7¼		2,363	1,963	7,385	7,310	58,288	67,520
2006	1,537	7¼	1,522	7¼		2,363	1,966	7,388	7,320	58,356	67,520
2007	1,537	7¼	1,522	7¼		2,363	1,968	7,390	7,330	58,416	67,520
2008	1,537	7¼	1,522	7¼		2,363	1,970	7,392	7,339	58,469	67,520
2009	1,537	7¼	1,522	7¼		2,363	1,971	7,393	7,349	58,513	67,520
2010	1,537	7¼	1,522	7¼		2,363	1,973	7,395	7,358	58,550	67,520
2011	1,537	7¼	1,522	7¼		2,363	1,974	7,396	7,370	58,576	67,520
2012	1,537	7¼	1,522	7¼		2,363	1,975	7,397	7,380	58,593	67,520
2013	1,537	7¼	1,522	7¼		2,363	1,975	7,397	7,389	58,601	67,520
2014	1,537	7¼	1,522	7¼		2,363	1,975	7,397	7,394	58,604	67,520
2015 and after	1,537	7¼	1,522	7¼		2,363	1,975	7,397	7,397	58,604	67,520

[1] Assuming the employee deduction and agency contribution rates are increased to 7 percent each on July 1, 1968, to cover full normal cost, and are further increased to 7¼ percent each on July 1, 1969, due to liberalizations effective that date.

[2] Liberalizations, effective July 1, 1969, assumed to create unfunded liability of $2,000,000,000

FUTURE ANNUITY INCREASES

With the exception of direct annual appropriations of over $70 million required for the continued payment of the annuity increase granted by Public Law 87–793, all prior statutory annuity increases and automatic cost-of-living adjustments have been, and are being, paid solely from the assets of the fund. In the absence of direct appropriations to cover the numerous increases provided over the past 20 years, the unfunded liability has been increased substantially and will continue to increase appreciably. In fact, the present fund balance of $19 billion is sufficient only to support the payment of benefits to persons already on the retirement rolls.

Each 1-percent increase in annuities presently has an annual cost of $21 million and adds almost $200 million to the unfunded liability. In anticipation of yearly cost-of-living increases for annuitants averaging 5 percent, additional costs of over $100 million will be incurred annually, resulting in a prospective additional unfunded liability of $1 billion.

It is the consensus of the committee that the Government—not the retirement fund—should assume the full responsibility for maintaining the future purchasing power of annuity values. While the increases already awarded will continue to be paid indefinitely from the fund, any future automatic adjustments which become triggered by operation of existing law and any newly authorized increases will be paid from the fund only until the end of the fiscal year following that in which they may become effective. Direct annual appropriations will be required to continue those particular payments beyond that fiscal year.

MILITARY SERVICE

It is estimated that approximately 4½ percent of annuity costs are attributable to the allowance of free credit for periods of active service in the Armed Forces of the United States. The present annual costs to the system are estimated at $95 million. Such costs are expected to further increase by $10 million annually over the next 20 years, peaking at approximately $300 million, and are attributable to the military service performed in World War II and the Korean conflict. Such costs will eventually decline since military service performed after 1957 will, generally, be creditable under the social security system and, thus, not available for civil service retirement purposes.

The committee is of the opinion that costs incurred by granting gratuitous credit for military service are those which should properly be borne not by the retirement fund, but by the Department of Defense. Accordingly, this legislation will require the Secretary of Defense, beginning annually in 1970, to reimburse the fund for annuity costs attributable to crediting periods of military service.

SICK LEAVE ACCOUNTS

The bill provides for the employing agency to deposit into the fund an amount equal to 25 percent of the cash value of unused sick leave to the credit of an employee who retires on an immediate annuity, or who dies in active employment and is survived by persons entitled to annuity benefits. The entire cost of crediting sick leave accruals, as provided in section 204 of the bill, will be borne as a payroll cost by agencies. While agency payroll costs will be increased by $22 million annually, retirement costs will not, in fact, be incurred. It is estimated that during the average lifetime of a retiree and/or a survivor annuitant additional annuity payments resulting from crediting the calendar value of sick leave accruals will have a commuted retirement value equivalent to one-fourth the cash value of his account.

RECOMMENDATIONS

The adoption of the latter committee financing provisions will have the effect of further increasing income to and decreasing disbursements from the fund beyond that contemplated in table B. The fund balance will grow proportionately, and the growth in the unfunded liability will become stabilized at an earlier date than otherwise anticipated.

In the committee's judgment, its recommended approach, while somewhat new in concept and mechanics, is sound and will accomplish the desired results. Its impact on future budgets will be considerable, but that impact will nevertheless be far less drastic than if present funding practices continue unchanged. The longer action is delayed, the larger will be the problem to be dealt with. The committee believes that this bill will provide in full for the permanent financing of the civil service retirement system, so as to assure that there will always be enough money in the fund to permit the payment of all benefits due—in full and on time.

Benefit Improvements

OVERTIME AND PREMIUM COMPENSATION

Since the beginning of the retirement program, employee-agency contributions generally have been made upon only that portion of salary representing the normal base pay of a regular tour of duty of the civilian position. Except for those employees serving in positions which require them to regularly remain at, or within the confines of, their stations longer than ordinary periods of duty (such as Federal civilian firefighters), the standard workweek for the vast majority of Federal employees long has been established at 40 hours in conformity with the general practice in private enterprise. The 40-hour week is divided into five 8-hour days, but employees who are officially required to work in excess of 8 hours in a day or 40 hours in a week normally are entitled to overtime pay calculated at 1½ times their regular hourly rate. Provisions have been enacted recently requiring the payment of 25-percent premium compensation for work officially performed on Sundays.

The bill provides for inclusion, rather than exclusion, of compensation for overtime, differentials, premium pay, etc., for purpose of employee deductions and agency matching contributions. By including the total remuneration for personal services, the aggregate compensation will, therefore, form the basis for determining the "average pay" in the computation of the annuity benefit.

While agency payroll costs will be increased by 7 percent of such additional earned compensation, as a matching contribution for compensation paid in excess of normal pay, no increase in the normal cost of the retirement system will be incurred. The employee-agency contributions will cover the increased costs attributable thereto.

It is the opinion of the committee that the aggregate compensation earned for personal services in truth, and in fact, constitutes the basic compensation of an employee for retirement purposes. H.R. 17682 will write this principle into the law.

AVERAGE PAY

The annuity computation formula is an all-important technique of expressing basic policy decisions as to how much annuity to award specified groups of employees, and how much recognition or weight to give to length of service, level of earnings, and other relevant factors in arriving at the amount of annuity.

Although there is substantial variation in State and local government retirement systems, the most prevalent type of formula arrives at the annuity by multiplying years of service by a specific percentage of the employee's final average salary (commonly the average annual salary for the last or best 5 years or fewer). The resulting annuity is usually in addition to social security benefits.

Under the civil service retirement system, the annuity is based on length of service and level of earnings during a base period—the highest 5 consecutive years, or high–5 average. Percentages of high–5 average pay are first multiplied by years of service, and then added together to produce the annuity. Under the general formula the basic annuity is the sum of: 1½ percent of the high–5 average times the first 5 years of service, 1¾ percent of the high–5 average times the next 5 years of service, and 2 percent times years of service over 10.

There appears to be general acceptance of length of employment and level of earnings as reasonable, broad measures of an employee's contribution to Government service. However, the precise method of computing an annuity from those components has not been found wholly satisfactory either to the employee population or to the Government as an employer. Specifically, difficulties and dissatisfaction have arisen from the use of a 5-year period in determining average base pay, and from the three-step percentage formula.

The high–5 wage base tends to keep employees working beyond the time they otherwise would and should retire. This tendency is strengthened by the regularity with which general pay increases have been enacted in recent years. The highest 5 years of earnings are usually the most recent years of employment. With each additional year of service the high–5 average rises appreciably. Employees postpone retirement in order to improve their average. Up to a point, the escalating effect of the high–5 average is advantageous to the employing agency, encouraging employees to serve out their full productive years with the Government. But, with respect to those who have completed their most productive years, the formula operates to oppose the interest of management. It provides an incentive for employees to postpone retirement indefinitely, irrespective of their performance level.

Substitution of the final salary, of the salary in the last full year of employment, of a high–2 average, or of a high–3 average have all been urged as remedies. Each of these would be more advantageous than the high-5 from the viewpoint of most employees, of course, in that each would produce more favorable annuities.

On balance, it is the committee's judgment that the high-3 average appears to be the best of available alternatives from the standpoint of both the Government and the employees. Normal costs will be increased by 0.07 percent of payroll—from 13.86 percent to 13.93 percent—or $15 million annually ($7½ million each from employees and agencies), but will be fully covered within the "normal cost" financing provision of section 102 of this legislation.

CREDIT FOR UNUSED SICK LEAVE

A continuing concern has been expressed over the years that, while some employees are heavy sick leave users toward the end of their careers, many others retire with substantial balances accumulated by virtue of conscientious usage of the sick leave privilege. While one-third of all retirements are for disability—and such retirees are properly entitled to the full protection provided by their sick leave—the leave problem is brought within the scope of this legislation because the use of sick leave by employees otherwise planning to retire is creating difficulty for Federal agencies. A recent study found, for example, that employees retiring from Government service used an average of 40 days of sick leave during their last year of employment.

An employee being carried in a sick leave status prior to retirement is counted toward agency personnel ceilings until his leave expires and he is separated. Meanwhile, the work for which he is responsible must be performed on an interim basis at the cost of an additional position, or it must be absorbed by others, or it goes undone. Additional payroll costs are also incurred as he continues to earn leave—both sick and annual—until his sick leave expires. This problem will become increasingly acute as sick leave balances go higher.

Bills have been introduced over the years to grant a separating employee a lump-sum payment, in full or in part, for his accumulated sick leave account, similar to that which is paid for unused annual leave. While such plans would have the advantage of administrative simplicity, their costs would be excessive.

Recent studies indicate that there is a growing tendency, particularly among State and municipal governments, to provide some form of recognition for unused sick leave at the time an individual retires or dies while employed. In instances where a lump-sum "payoff" is provided, this recognition frequently equals 50 percent of the cash value of the unused leave. Statistics disclose that, since the adoption of such plans, overall sick leave usage has declined from an average of 8 to 7 days yearly. Further, that such a "payoff" is not quite unique is demonstrated by the practice in the Canadian Government's retirement system of continuing to pay a retired employee the equivalent of full salary and annuity benefits for the period equal to his unused sick leave.

The bill provides a limited measure of recompense for unused sick leave by increasing the total actual service performed by an employee (who retires on an immediate annuity or dies leaving a survivor or survivors entitled to annuity benefits) by the length of service representative of the calendar value of his unused sick leave. An employee who has met the age and service requirements for immediate retirement, such as one who is age 55 and has served 30 years, for example, will have his service increased by 1 calendar month for each 22 days of unused leave; or a retired or deceased employee who has accrued sufficient leave to be carried in a paid-leave status for 1 year will be given retirement service credit of 1 calendar year. Consequently, the latter employee's annuity would be computed upon 31 years of service. The additional service so granted, however, shall not be counted in determining average pay or in attaining eligibility for retirement. Neither shall such credit be used to produce an annuity in excess of 80 percent of the average pay.

This legislation embraces a change in the basic historical philosophy underlying the sick leave system, and grants a limited recognition to those employees who have prudently utilized the sick leave privilege. It is expected that by providing a benefit as an additional incentive to conserve sick leave, there will be extra consideration given by employees, generally, to the use of the leave as it is earned. The total costs of crediting leave will be borne by the employer, but no actual retirement costs will be incurred. It is the consensus of the committee that such additional payroll costs will be significantly offset by the savings resulting from a reduction in the number of days of average sick leave usage throughout the Federal service.

COST OF LIVING ADJUSTMENTS

Federal staff retirement systems represent a mixture of insurance and humanitarian principles. In the matter of adjusting annuities after retirement, insurance practice would guarantee that whatever annuity an employee had earned at the time of retirement should be preserved without change. On the other hand, humanitarian considerations would urge that the welfare of the retired person is the major concern, and that annuities should be adjusted to changing needs. The latter theory has prevailed through congressional action; but putting theory into practice has proved difficult.

The level of benefits at the time of retirement is established by a formula based on service and salary. The needs and desires of annuitants are influenced by the cost of living and also the general level of standards of living. When these variables are stable or declining, annuity adjustments are no issue; this was essentially true from 1920 to 1945. When the variables increase, however, problems arise; and that has been the situation continuously since the end of World War II.

The Congress has tried a variety of devices to cope with the problem. After the Civil Service Retirement Act was passed in 1920, civilian salaries were adjusted by the Classification Act of 1923 and a subsequent increase in 1925; but a retirement recomputation principle was never adopted. In 1926 and 1930 new formulas for computing benefits were introduced. Annuities for persons already retired were increased to the levels provided by the new formulas. Under the 1930 act the maximum benefit was $100 a month, and most employees retiring after a full career received this amount. During the 1930's, salary schedules were stable except for temporary flat percentage cuts, and no changes were made in annuity formulas. The cost of living and general standard of living declined. Annuitants were relatively well off and therefore annuity adjustments were no issue.

During World War II, wartime controls ruled out any general action on salaries and annuities alike. However, one change was made: the $100-a-month lid on annuities was removed in favor of a percentage of high–5 average, thus benefiting higher paid employees (which at the time meant those paid over $2,800 a year). In 1946 this provision was also extended to cover employees who had retired before the amendment was passed.

As a result of inflation during and after the war, both active and retired employees found themselves in a new and bleaker economic world. The Consumer Price Index in 1946 stood 40 percent above the 1939 level. In 1951, with a boost from the Korean conflict, it reached 87 percent. Fortunately, civilian production recovered rapidly and action was taken to restore lost values, at least in part.

By 1956, pay schedules for most active employees, and annuities for new retirees, had pretty well caught up with the cost-of-living increase since 1939. However, national productivity still increased and wages and salaries in industry continued upward. Annuitants who had retired before the effective date of the 1956 act received a 10-percent cost-of-living raise. Those retired later received nothing under that act.

In 1962 a major effort was begun to establish annuity adjustments on a stable basis. The act of October 11, 1962, first established the principle that Federal civilian salaries should be comparable with industry salaries for similar work, and new salary schedules took steps toward effecting the principle. The act also established the policy that the purchasing power of annuities would be maintained by adjusting benefits automatically whenever the Consumer Price Index for a year exceeded the base year by 3 percent. At the same time, annuities for 1962 and earlier years were raised by 5 percent; and, to supplement the effect of the 1962 increases on high–5 averages, annuities for 1963 were raised by 4 percent, for 1964 by 3 percent, for 1965 by 2 percent, and for 1966 by 1 percent. Further, the 1952 and 1955 ceilings on annuity increases were abolished, so that all earlier retirees got the benefit of previous increases.

The Consumer Price Index had increased 118 percent from 1939 to 1962, and while the Consumer Price Index formula was a welcome innovation, its operation disappointed annuitants. It fell barely short of forcing an automatic increase in 1965 and left them to wait another year.

The 89th Congress reacted by passing new legislation in 1965. The Consumer Price Index formula was revised to provide automatic increases whenever the Consumer Price Index rose by 3 percent over the previous base period for 3 successive months. The new formula generated an automatic increase of 4.6 percent for all annuitants in 1965. In addition, the Congress provided additional increases of 6½ percent for civil service retirement annuitants who had retired before October 1, 1956, and 1½ percent for those who retired between that date and December 31, 1965—an average of 7½ percent. Subsequent automatic adjustments of 3.9 percent, respectively, have become effective in 1967 and again in 1968.

If the present Consumer Price Index formula had been in effect since 1920, it presumably would have been suspended during the period of wartime inflation as a result of wartime controls. After the war, however, it would have provided a guide more effective than any then available for bringing the value of annuities back to a reasonable relation with the rest of the economy. Once the annuities regained their original purchasing power, the formula would have maintained them by prompt and equitable action when living costs rose further.

While values are in better balance now, on the whole, than at any time in the past, a notable deficiency continues to exist. A period of 5 months elapses between the initial month in which the Consumer Price Index rises by 3 percent over the previous base month and the month in which the cost-of-living adjustment is reflected in the annuity checks. During that elapsed period the Consumer Price Index continues its upward trend, generally attaining a level in excess of 1 percent of the actual percentage rate of adjustment.

In order to correct this serious deficiency in the adjustment formula and thereby compensate retirees and survivor annuitants for the intervening incremental rises in the cost of living, H.R. 17682 will add 1 percent to all future percentage adjustments. For example, if the highest level attained during the 3-month measuring period equals 4 percent, an additional 1 percent will be added thereto and result in an automatic adjustment of 5 percent. Inasmuch as section 103 of the bill requires direct appropriations to finance further annuity increases beyond the fiscal year following that in which they become effective, adidtional unfunded liabilities of between $20 and $40 million will recur on each occasion.

REMARRIAGE OF SURVIVOR-ANNUITANTS

Prior to the amendment contained in section 506 of Public Law 89–504, approved July 18, 1966, payment of widows' and widowers' survivor annuities ceased and further entitlement thereto terminated upon remarriage.

The act of July 18, 1966, however, preserved the survivor annuity entitlement of spouses of only those employees who retired from, or died in, active employment thereafter in two respects. In the event of remarriage after reaching age 60, payment of the survivor annuity will continue. In the event of remarriage prior to reaching age 60, the survivor benefit ceases but may be restored upon dissolution of the remarriage.

H.R. 17682 will accord equal treatment to the spouses of employees who retired or died prior to July 18, 1966, provided the remarriage occurs after July 17, 1966. It also contemplates restoring, prospectively, a spouse's annuity which has already been terminated by reason of a remarriage occurring on or after July 18, 1966. It is not proposed, however, to extend similar treatment to a spouse whose remarriage occurred prior to July 18, 1966.

EFFECTIVE DATES

The amendments made by titles I and II become effective on the date of enactment of this legislation. However, certain provisions amended by title I are effective as specified in the sectional analysis.

Explanation of the Bill by Sections

The proposed statutory changes involve amendments to subchapter III of chapter 83 of title 5, United States Code, respecting civil service retirement. Title I proposes a positive plan of action to solve the problem of financing the system by improving past and present inadequate funding practices. Title II amends title 5, United States Code, by proposing certain limited improvements in the benefits structure of the system.

Section 101 amends section 8331 by adding paragraphs (17), (18), and (19). Paragraph (17) defines "normal cost" as the level percentage of the basic pay of all new employees needed throughout their careers to finance the retirement benefits they will earn. Paragraph (18) defines "fund balance," for purposes of financing, as the par value of securities in which retirement money is invested plus the uninvested cash remaining in the retirement fund. Paragraph (19) defines "unfunded liability" as the estimated amount needed to finance all benefits due present and former employees and Members from the fund, less money now in the fund and to be placed in it in the future. These definitive terms are necessary for the implementation of the subsequent provisions of the bill.

Section 102 amends the substance of section 8334(a) in several respects:

(1) It raises the current rate of employee and agency contributions from 6½ percent to 7 percent, and Member and matching contributions from 7½ percent to 8 percent, effective beginning with the first pay period in January 1969, so as to cover the full normal cost of present benefits and those proposed in title II.

(2) It authorizes the Civil Service Commission, when it determines an adjustment in contributions is necessary in the future to meet full normal cost, attributable, primarily, to future liberalizations of benefits applicable to active employees, to notify the Congress of a proposed increase. The higher percentage rates, fixed at the nearest one-quarter of 1 percent, will become effective following 90 day of continuous session of Congress after such notice is given, unless before then either the House or the Senate has passed a bill providing a different adjustment or sharing ratio (which would preclude the contemplated action), or either body has passed a resolution specifically disapproving the proposed increase.

(3) It also provides for carrying such increased contribution rates into the computation of deposits due for service for which deductions were not currently withheld.

Section 103 amends section 8348 by—

(1) adding a provision making the fund available, subject to annual limitations set by Congress, for administrative expenses incurred by the Commission in connection with operation of the several retirement programs under its jurisdiction. Such expenses are now paid from the fund under authority of appropriation language, which should be replaced by substantive legislation.

(2) striking out present subsections (f) and (g) and adding new subsections (f), (g), (h), (i), and (j), as explained below.

New subsection (f) authorizes appropriations to the fund in equal annual installments over a 30-year period to finance any newly created unfunded liability incurred by the enactment of future legislation, including liberalizations with respect to active employees, extension of coverage to new groups of employees, and general salary increases. The Government would assume full responsibility for additional deficiences and, by amortization, preclude further increases in the existing unfunded liability.

New subsection (g) proposes to meet the obligation for the unfunded liability incurred by legislation already enacted through permanent indefinite appropriations beginning on a modest scale at the end of fiscal year 1971, and increasing each year until, in fiscal year 1980 and thereafter, the amount transfered from the general revenues of the Treasury to the fund will be the full equivalent of interest on the unfunded liability.

New subsection (h) would permit any future automatic cost-of-living adjustments and newly authorized annuity increases to be paid from the fund only until the end of the fiscal year which follows the fiscal year in which they may become effective. Direct annual appropriations would be required to continue their payments beyond then.

New subsection (i) would require the Department of Defense, beginning with fiscal year 1970, to reimburse the fund annually for annuity costs attributable to crediting periods of military service.

New subsection (j) would require the employing agency to finance, as a payroll cost, the full cost of granting retirement service credit for unused sick leave (as provided in sec. 204 of the bill), by depositing into the fund the commuted retirement value of accruals estimated to be equal to 25 percent of cash value.

Section 104 would repeal the now unnecessary requirement that the Civil Service Commission submit annual estimates of the appropriations necessary to reimburse the fund for the cost of annuity increases voted in 1958, but not fully covered by appropriations.

Section 201 amends the definition of "basic pay" in section 8331 so as to include, rather than exclude, pay given in addition to the normal base pay of a civilan position. It contemplates inclusion of all remuneration for personal services—overtime, differentials, premium pay, et cetera—for purposes of deductions, agency contributions, and determining the average pay upon which annuity benefits are computed.

Section 202 modifies the average pay computation period from 5 to 3 years.

Section 203 amends section 8334(g) to conform to the intent of new subsection 8348(j). No deposit will be required of the employee to obtain service credit for unused sick leave.

Section 204 amends section 8339 so as to include for service computation purposes the length of service represented by the calendar value of unused sick leave to the credit of an employee who retires, or dies in service leaving a spouse or survivor eligible for annuity benefits. Such credit shall not be available for purposes of entitlement, average pay, or purchasing annuity in excess of 80 percent of average pay.

Section 205 amends section 8340, the automatic cost-of-living adjustment provision, to add 1 percent to all future percentage adjustments so as to compensate for the 5-month period elapsing between the Consumer Price Index attaining a rise of 3 percent and the subsequent payment of the increase.

Section 206 amends section 8341 so as to extend its application to all survivor annuitants whose remarriages occur on or after July 18, 1966.

Rather than the date of retirement or death in service governing, the date of remarriage would govern whether or not the survivor benefit is terminated. Whereas the amendment of July 18, 1966, preserved the survivor annuity entitlement of spouses only of employees who retired or died in active employment thereafter, this provision will accord equal treatment to the widow of a person who retired or died before July 18, 1966, if her remarriage occurs after July 17, 1966. It will also reinstate, on date of enactment, the survivor annuity of a spouse whose benefit has previously been terminated by reason of a remarriage which occurred on or after July 18, 1966.

Estimated Costs

The Civil Service Commission estimates that present employee-agency contributions of 13 percent of total payroll fall short by 0.86 percent of payroll in covering the normal cost of present benefits. By increasing the combined contribution rate to 14 percent (7 percent each from employees and agencies), annual income to the fund will be increased by approximately $220 million ($110 million from employees and agencies, respectively); $190 million thereof is necessary to cover present normal cost, and $30 million thereof will be sufficient to fully finance the normal cost of benefit liberalizations provided herein.

The Commission estimates that, when fully implemented in 1980, the $1 billion unfunded liability will require an annual payment of approximately $50 million to amortize it over 30 years.

The Commission estimates that when fully implemented in 1980, the amount to be transferred from the general revenues of the Treasury representing the full equivalent of interest on the then-existent unfunded liability will exceed $2⅓ billion annually.

It is estimated that each 1-percent increase granted retirees in the future will require an annual direct appropriation of approximately $21 million.

The cost to the Department of Defense for the costs attributable to military service credit is estimated to grow, progressively, from $95 million in 1970 to $300 million in 1990, with such costs progressively declining thereafter.

The Commission estimates that agency cost of financing service credit for unused sick leave will currently amount to $22 million annually, but, expectedly, such costs will result in manifold savings by a reduction in sick leave usage.

No normal cost will be involved in including premium compensation as basic pay, since matching contributions will be made on such additional earnings. The unfunded liability will be increased by an estimated $2½ billion.

Modification of the average pay period to 3 years will have a normal cost of 0.07 percent of payroll ($15 million), but will be fully covered by increasing employee-Government contributions to 14 percent. Present normal cost will thereby be increased from 13.86 to 13.93 percent of payroll. It will add an estimated $172 million to the existing unfunded liability.

Extending the application of the remarriage provisions to spouses who remarry subsequent to July 18, 1966, will incur no normal cost, but is estimated to add $150 million to the unfunded liability.

Agency Reports

This legislation is based, in part, on the recommendations of the Civil Service Commission and the General Accounting Office presented during extensive hearings on H.R. 10912. The initial, interim, and final reports of the Chairman of the Civil Service Commission, and the reports of the Comptroller General of the United States and the Bureau of the Budget, follow.

U.S. Civil Service Commission,
Washington, D.C., June 8, 1967.

Hon. John W. McCormack,
Speaker of the House of Representatives.

Dear Mr. Speaker: I submit for the consideration of Congress, and urge early action on, a proposal to improve financing and funding of the civil service retirement system.

By the end of this fiscal year, the unfunded liability of the system will top $48 billion. Under present financing practices, the unfunded liability will continue to grow by more than $1.5 billion every year, sometimes much more; disbursements will outstrip receipts by 1974; and by 1987 the present (January 31) $17.1 billion balance will be reduced to nothing. The year-by-year effect of continuing current financing policy is shown in table I attached.

This situation did not develop overnight. It is the product of years of inadequate financing. Employees have always paid their full share of retirement costs as set by law. Government has appropriated substantial sums to the civil service retirement and disability fund from time to time, but it has not contributed, regularly and systematically, in amounts sufficient to meet that portion of accruing costs not covered by employee contributions. (Attachment A summarizes past financing action.) The fund has lost the interest that would otherwise have been earned on investment of the additional contributions, a loss that now amounts to $1.7 billion a year. Successive benefit liberalizations, inadequately financed, have compounded the problem. In its report on valuation of the fund as of June 30, 1965, the Board of Actuaries of the civil service retirement system points out that "before this report is made, the total fund will have fallen even below the liabilities for existing annuitants and separated employees. This means, in effect, that no funds would exist in respect of nonretired persons, either as to their accrued annuities or as to their own accumulated contributions."

The Civil Service Commission strongly urges adoption of a definite program of action to meet this growing financial threat. We recommend a three-step approach: the first to cover normal costs of the system, the second to cover increases in the unfunded liability resulting from legislation enacted in the future, and the third to discharge Government's responsibility for the unfunded liability created by legislation already enacted. The proposal provides that—

1. full normal costs of present benefits and of all liberalizations authorized in the future be paid into the fund currently via matching agency and employee contributions. Contribution rates would be raised, equally for employees and agencies, whenever liberalized eligibility requirements or benefits increase normal costs.

2. all future substantive and pay-raise legislation which would otherwise increase the unfunded liability specifically authorize payments to the fund in accordance with a 30-year schedule written into the retirement law. These payments would begin at a nominal rate the first year; increase in regular amounts, by arithmetic progression, each year thereafter; and cover within a 30-year period the entire cost, including interest, of the unfunded liability created by the legislation. In every case the authorization would be accompanied by an immediate appropriation in the amount called for by the schedule for the first year.

3. permanent, indefinite appropriations be authorized to "peg" the fund at the highest yearend balance it reaches or at employee equity, whichever is greater. Pegging would be accomplished via automatic transfers of moneys from the general revenues of the Government to the trust fund as needed to maintain the latter at the designated level of adequacy. Moneys so transferred would pay underfinanced benefits earned during service already performed and granted by legislation already enacted, but due to be paid in the future.

The recommended approach is one of several different methods which might be adopted. The Board of Actuaries, for example, has repeatedly recommended that Government make direct appropriations equal to the amount necessary, in addition to the contributions of employees and employing agencies, to meet the full normal cost and the amount of accruing interest on the deficiency. The Committee on Retirement Policy for Federal Personnel, created by Congress in 1952 to study all Federal retirement systems, made a similar recommendation, tempered by a recognition that the fiscal situation of the Government might make necessary a gradual rather than immediate approach to that goal. A 1963 administration proposal recommended full funding of all future benefits increases, continuation of matching employee and agency contributions, and supplemental agency contributions gradually increasing to the level at which normal cost plus interest funding would have been attained. Though hearings were held on that proposal (S. 1562), legislation was not enacted by the 88th Congress and, pending completion of a study of the Cabinet Committee on Federal Staff Retirement Systems, no financing recommendation was submitted to the 89th Congress.

The current proposal is the one recommended to the President by the Cabinet Committee and endorsed by him in his March 7, 1966, pay message. If adopted, it would—

require advance provision to meet full estimated costs of retirement, including costs of present benefits, costs of benefits already earned but due to be paid in the future, and costs of benefits resulting from future legislation including general pay increases; ease the impact of these costs on the administrative budget for several years into the future;

increase contribution rates of employees and agencies in January of 1968, and thereafter as required by future liberalizations, to cover normal cost of the benefits in effect. (Normal cost of present benefits is 13.86 percent, nearly 1 percent above current contribution rates; the rate increase will be one-half of 1 percent even if there are no benefit liberalizations);

provide a measure of "braking" effect on pressures for undue liberalizations;

control, and eventually stop, growth of the unfunded liability;

keep fund receipts ahead of disbursements, and prevent depletion of the fund (otherwise expected to occur in 1987);

prevent excessive buildup of the fund in advance of actual need for the money; and

assure payment of earned benefits, in full and on time, without awaiting appropriation action to provide funds for benefits already due.

Table 2 shows progress of the fund under this financing method, assuming present benefit and pay levels.

Draft legislation which would amend the retirement law in accordance with this recommendation is attached, together with a sectional analysis. The draft legislation would also—

make the fund available for payment of the Commission's expenses in connection with administration of retirement laws. Such expenses are now being paid from the fund under appropriation authority enacted last year (Public Law 89–128), but substantive legislation is needed and the House Appropriations Committee urges that we seek it promptly;

merge into one of the civil service and the foreign service retirement and disability funds (but not the benefit structure or the administration of the two systems). Both funds are experiencing the same difficulties, for the same reasons. The foreign service retirement and disability system is so small in comparison with that for the civil service system that merging funds could have no significant actuarial effect on financing of the larger system; and

repeal certain estimating and other requirements which will no longer be necessary if the proposed financing method is adopted.

The Civil Service Commission believes that administration of the retirement system is one of its most important responsibilities. It is an essential part of a modern employment system designed to attract and retain employees of the caliber required to conduct the complex business of Government. It contributes importantly toward financial security for millions of past, present, and future Government employees and their dependents. There should never exist the slightest doubt of the system's ability to meet its commitments to these people. That doubt now exists.

The Government's financial obligation is clear. The Government's recognition of, and action to meet, that obligation is imperative. The situation has been studied intensively during the past few years by the Civil Service Commission, the Bureau of the Budget, the Cabinet Committee on Federal Staff Retirement Systems, and the Board of Actuaries and has been discussed extensively with congressional committees. It is time, now, that Government face the problem realistically and adopt some definite program to meet it.

In our judgment, the recommended approach is sound and will accomplish the required results. Its impact on the administrative budget will be sudden and sharp, beginning around 1975, but that impact will nevertheless be far less drastic than if present financing practices continue unchanged. The longer action is delayed, the larger will be the problem to be dealt with. We strongly urge, therefore, prompt and positive action to solve the problem of retirement financing and funding in such a way as to maintain confidence in the integrity of the system and to assure that there is always enough money in the fund to permit payment of all benefits due, in full and on time.

The Bureau of the Budget advises that enactment of this proposal would be in accord with the President's program.

By direction of the Commission:

Sincerely yours,

JOHN W. MACY, Jr.,
Chairman.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., April 24, 1967.

B-130150

To the President of the Senate and the Speaker of the House of Representatives:

The General Accounting Office has reviewed the present method of financing the civil service retirement system administered by the U.S. Civil Service Commission.

Several different proposals for improving the financing of the system have been made in recent years. The most recent was contained in the report of the Cabinet Committee on Federal Staff Retirement Systems, submitted to the Congress by the President on March 7, 1966 (H. Doc. 402, 89th Cong.).

The General Accounting Office has outlined in this report an alternative approach for financing the civil service retirement system which would provide for—

1. agency contributions and deductions from employees' salaries, in such proportions as may be enacted into law by the Congress, to cover the full normal cost of the system;
2. direct appropriations to the civil service retirement and disability fund to amortize in level amounts over a 20-year period all future increments in the unfunded accrued liability; i.e., the accumulated costs of the system for which funds have not been provided; and
3. direct appropriations to the fund under permanent indefinite authority in annual amounts equivalent to interest on the unfunded accrued liability which is expected to be about $50.3 billion at June 30, 1967, if restrictions on the payment of certain benefits are removed.

An analysis and comparison of the effect of the Cabinet Committee recommendations and the alternative approach are presented in the report.

A major difference between the two proposed methods of financing the system is that the Cabinet Committee recommendations would postpone indefinitely recognition in the Government's administrative budget of some $36 billion in future costs of the civil service retirement system—measured by the difference between the amount of the unfunded accrued liability of about $50.3 billion expected to exist as of

June 30, 1967, and the amount of the unfunded accrued liability of approximately $86 billion which would exist in the year 2015 or thereabouts and which would become stabilized at that time and at that amount under the Cabinet Committee's plan.

We believe that, in furtherance of the objective of prudent management of the Government's financial affairs, a consistent method of financing the system should be established that will recognize and provide for all costs of maintaining the system from year to year as the costs are incurred. This objective would be attained under our alternative approach and the unfunded accrued liability would become stabilized immediately.

There are many approaches that can be taken to improve the financing of the civil service retirement system, two of which are explained in this report. It is our view that, regardless of the approach the Congress may choose to follow, it is important that a definite plan be adopted to improve the financing of the system at an early date.

Copies of this report are being sent to the Director, Bureau of the Budget: the Secretary of the Treasury; and the Chairman, U.S. Civil Service Commission.

ELMER B. STAATS,
Comptroller General of the United States.

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., March 22, 1968.

Hon. DOMINICK V. DANIELS,
Chairman, Subcommittee on Retirement, Insurance, and Health Benefits, Committee on Post Office and Civil Service, House of Representatives.

DEAR MR. DANIELS: The plan for improving the financing of the civil service retirement system which is described briefly in this letter is acceptable to the Comptroller General, the Bureau of the Budget, and the Civil Service Commission. Draft language to revise your bill, H.R. 10912, to put the three steps of this plan into effect is enclosed.

Step I.—Financing Normal Cost

Employees and their agencies will share equally, via employee deductions and matching agency contributions, the full normal cost of present benefits and of all future liberalizations authorized by Congress.

The Commission will determine when an adjustment in the percentage of deductions and contributions is necessary to meet full normal cost, and will notify the Vice President and the Speaker of the House of its proposed adjustment. The new percentages will go into effect the first pay period which begins at least 60 days of continuous session of Congress after the notice, unless before then either the House or the Senate has passed a bill which provides a different adjustment or has passed a resolution which specifically disapproves the adjustment proposed by the Commission.

Step II.—Financing Newly Created Unfunded Liability

Future legislation which creates additional unfunded liability will include authorization for appropriations to the retirement fund to finance the newly created liability, in equal annual installments over a 30-year period, with interest at the rate used in the most recent valuation of the system. The first installment is due as of the effective date of the statute which creates the liability.

Step III. Financing the Unfunded Liability Attributable to Existing Statutes

The Government assumes full responsibility for unfunded liability which arises from legislation already enacted. It will meet this obligation through permanent indefinite appropriations beginning on a modest scale at the end of fiscal year 1971 and increasing each year for the following 9 years. The Secretary of the Treasury will transfer to the retirement fund the following percentages of amounts equivalent to interest on the unfunded liability: 10 percent for 1971; 20 percent for 1972; and an additional 10 percent for each following year until, for the fiscal year 1980 and each year thereafter, the amount transferred will be the full equivalent of interest on the unfunded liability.

We have prepared the enclosed two tables to show the estimated progress of the retirement fund under present financing and under the plan described in this letter. For purely illustrative purposes we have assumed, for both table A and table B, legislation effective July 1, 1969, which increases normal cost by one-half percent and creates additional unfunded liability of $2 billion.

If enacted, this plan will provide in full for the permanent financing of the civil service retirement system.

Sincerely yours,

JOHN W. MACY, Jr.,
Chairman.

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., June 12, 1968.

Hon. THADDEUS J. DULSKI,
Chairman, Committee on Post Office and Civil Service,
House of Representatives.

DEAR MR. CHAIRMAN: This letter offers the Commission's views on H.R. 17682, a bill to amend subchapter III of chapter 83 of title 5, United States Code, relating to civil service retirement, and for other purposes.

On November 8, 1967, I testified before the Subcommittee on Retirement, Insurance, and Health Benefits of the House Committee on Post Office and Civil Service, urging enactment of H.R. 10912, a bill which embodies the administration's proposal for improved financing of the civil service retirement system. On May 15, 1968, I again testified before the subcommittee, and reported agreement of the Civil Service Commission, the Bureau of the Budget, and the General Accounting Office to certain modifications of that proposal.

If H.R. 10912 were amended to reflect my testimony of May 15, and enacted, all the retirement financing objectives sought by the administration would be achieved. By 1980, the civil service retirement fund would be soundly and permanently financed, with full consideration of present and future normal costs, existing unfunded liability, and additional unfunded liability which might be created by future legislation. This would be accomplished by requiring—

(1) that the normal cost of present benefits and of all new benefits authorized by future legislation be fully covered by matching employee deductions and agency contributions,

(2) that Government pay the costs of all increases in unfunded liability created by future legislation, financing each increase through equal annual installments over a 30-year period, and

(3) that Government meet its responsibility for the unfunded liability attributable to already enacted legislation through permanent indefinite appropriations beginning on a modest scale and increasing each year so that for the 10th and each succeeding year the amount credited to the fund would be the full equivalent of interest on the unfunded liability.

Title I of the bill H.R. 17682 includes provisions for (*a*) employee-agency sharing of full normal costs, (*b*) 30-year amortization of newly created unfunded liability, and (*c*) permanent indefinite appropriations equal to interest on the unfunded liability attributable to already enacted legislation. If H.R. 17682 contained only these financing proposals, the Commission would endorse the bill and urge its early enactment.

However, title I also includes provisions which would require—

(1) that payment of each annuity increase, whether authorized by new legislation or resulting from changes in the Consumer Price Index, be contingent on direct appropriations after the first full fiscal year,

(2) that the Secretary of Defense pay into the fund each year an amount equal to annuity disbursements attributable to military service, and

(3) that an employing agency pay into the fund an amount equal to 25 percent of the value of unused sick leave to the credit of an employee who retires on immediate annuity or who dies and leaves survivors who are entitled to annuity.

These additional financing provisions create unnecessary complications. They do not strengthen the administration proposals, which of themselves would provide full permanent financing. The money they would bring into the fund would all be a Government retirement contribution, but it would be appropriated to many agencies through many appropriation bills.

Title II of H.R. 17682 departs from the objective of improved financing by proposing a series of benefit liberalizations for which there is no urgent need. These liberalizations are:

1. Gross earnings would be the basis for determining retirement benefits, rather than basic pay as at present.
2. The period for determining average salary for annuity computation purposes would be changed from 5 years to 3 years.
3. Unused sick leave would be added to the actual length of service for computing the annuity of an employee retiring or the annuity of the survivors of an employee dying in service.
4. An extra 1 percent would be added to each annuity increase resulting from changes in the Consumer Price Index.
5. The July 18, 1966, amendments which continue annuity when a surviving spouse remarries after reaching age 60, and restore annuity upon termination of a remarriage which occurred

before age 60, would be made applicable to all cases in which remarriage occurs after July 17, 1966, rather than only to those cases where final separation from service occurred after that date.

Each benefit liberalization has a price tag. We estimate that the liberalizations proposed by H.R. 17682, including the added 1 percent for the first annuity increase (but not for succeeding increases) would create $3.3 billion in unfunded liability. Enactment of benefit liberalizations over the years, without adequate provision for financing, has contributed substantially to the problem which we are now trying to solve. The urgent need is for adoption of a sound financing plan, not for further benefit liberalization.

For the reasons given, the Commission considers H.R. 17682 in its present form to be unacceptable, and urges that it not be enacted.

The Bureau of the Budget advises that there is no objection to the submission of this report and that enactment of H.R. 17682, in its present form, would not be consistent with the administration's objectives.

By direction of the Commission:

Sincerely yours,

JOHN W. MACY, Jr., *Chairman.*

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., June 13, 1968.

Hon. THADDEUS J. DULSKI,
Chairman, Committee on Post Office and Civil Service,
Cannon House Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request of June 10, 1968, for the views of the Bureau of the Budget on H.R. 17682, a bill to amend subchapter III of chapter 83 of title 5, United States Code, relating to civil service retirement, and for other purposes.

The Bureau of the Budget concurs in the comments of the Civil Service Commission on this bill. Accordingly, the Bureau of the Budget recommends against favorable consideration of H.R. 17682. Enactment of the bill, in its present form, would not be consistent with the administration's objectives.

Sincerely yours,

WILFRED H. ROMMEL,
Assistant Director for Legislative Reference.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SUBCHAPTER III OF CHAPTER 83 OF TITLE 5, UNITED STATES CODE

SUBCHAPTER III—CIVIL SERVICE RETIREMENT

§ 8331. Definitions

For the purpose of this subchapter—

(1) "employee" means—

(A) an employee as defined by section 2105 of this title;

(B) the Architect of the Capitol, an employee of the Architect of the Capitol, and an employee of the Botanic Garden;

(C) a Congressional employee as defined by section 2107 of this title (other than the Architect of the Capitol, an employee of the Architect of the Capitol, and an employee of the Botanic Garden), after he gives notice in writing to the official by whom he is paid of his desire to become subject to this subchapter;

(D) a temporary Congressional employee appointed at an annual rate of pay, after he gives notice in writing to the official by whom he is paid of his desire to become subject to this subchapter;

(E) a United States Commissioner whose total pay for services performed as Commissioner is not less than $3,000 in each of the last 3 consecutive calendar years ending after December 31, 1954;

(F) an individual employed by a county committee established under section 590h(b) of title 16;

(G) an individual employed by the government of the District of Columbia;

(H) an individual employed by Gallaudet College; and

(I) an individual appointed to a position on the office staff of a former President under section 1(b) of the Act of August 25, 1958 (72 Stat. 838);

but does not include—

(i) a justice or judge of the United States as defined by section 451 of title 28;

(ii) an employee subject to another retirement system for Government employees;

(iii) an employee or group of employees in or under an Executive agency excluded by the Civil Service Commission under section 8347(g) of this title;

(iv) an individual or group of individuals employed by the government of the District of Columbia excluded by the Commission under section 8347(h) of this title;

(v) a temporary employee of the Administrative Office of the United States Courts or of a court named by section 610 of title 28;

(vi) a construction employee or other temporary, part-time, or intermittent employee of the Tennessee Valley Authority;

(vii) an employee under the Office of the Architect of the Capitol excluded by the Architect of the Capitol under section 8347(i) of this title;

(viii) an employee under the Library of Congress excluded by the Librarian of Congress under section 8347(j) of this title; or

(ix) a student-employee as defined by section 5351 of this title.

Notwithstanding this paragraph, the employment of a teacher in the recess period between two school years in a position other than a teaching position in which he served immediately before the recess period does not qualify the individual as an employee for the purpose of this subchapter. For the purpose of the preceding sentence, "teacher" and "teaching position" have the meanings given them by section 901 of title 20;

(2) "Member" means a Member of Congress as defined by section 2106 of this title, and a Delegate to Congress, after he gives notice in writing to the official by whom he is paid of his desire to become subject to this subchapter;

(3) "basic pay" includes—

(A) the amount a Member received from April 1, 1954, to February 28, 1955, as expense allowance under section 601(b) of the Legislative Reorganization Act of 1946 (60 Stat. 850), as amended; and that amount from January 3, 1953, to March 31, 1954, if deposit is made therefor as provided by section 8334 of this title; and

[(B) additional pay provided by—

[(i) subsection (a) of section 60e–7 of title 2 and the provisions of law referred to by that subsection; and

[(ii) sections 60e–8, 60e–9, 60e–10, 60e–11, 60e–12, and 60e–13 of title 2; and

[(C) premium pay under section 5545(c)(1) of this title;]

(B) remuneration for service performed as an employee to whom this subchapter applies;

but does not include bonuses, allowances, [overtime pay,] military pay, [pay given in addition to the base pay of the position as fixed by law or regulation except as provided by subparagraphs (B) and (C) of this paragraph,] retroactive pay under section 5344 of this title in the case of a retired or deceased employee, uniform allowances under section 5901 of this title, or lump-sum leave payments under subchapter VI of chapter 55 of this title. For an employee paid on a fee basis, the maximum amount of basic pay which may be used is $10,000;

(4) "average pay" means the largest annual rate resulting from averaging an employee's or Member's rates of basic pay in effect—

(A) over any [5] *3* consecutive years of creditable service; or

(B) at a Member's option over all periods of Member service after August 2, 1946, used in the computation of an annuity under this subchapter;

with each rate weighted by the time it was in effect;

(5) "Fund" means the Civil Service Retirement and Disability Fund;

(6) "disabled" and "disability" mean totally disabled or total disability, respectively, for useful and efficient service in the grade or class of position last occupied by the employee or Member be-

cause of disease or injury not due to vicious habits, intemperance, or willful misconduct on his part within 5 years before becoming so disabled;

(7) "Government" means the Government of the United States, the government of the District of Columbia, and Gallaudet College;

(8) "lump-sum credit" means the unrefunded amount consisting of—

(A) retirement deductions made from the basic pay of an employee or Member;

(B) amounts deposited by an employee or Member covering earlier service; and

(C) interest on the deductions and deposits at 4 percent a year to December 31, 1947, and 3 percent a year thereafter compounded annually to December 31, 1956, or, in the case of an employee or Member separated or transferred to a position in which he does not continue subject to this subchapter before he has completed 5 years of civilian service, to the date of the separation or transfer;

but does not include interest—

(i) if the service covered thereby aggregates 1 year or less; or

(ii) for the fractional part of a month in the total service;

(9) "annuitant" means a former employee or Member who, on the basis of his service, meets all requirements of this subchapter for title to annuity and files claim therefor;

(10) "survivor" means an individual entitled to annuity under this subchapter based on the service of a deceased employee, Member, or annuitant;

(11) "survivor annuitant" means a survivor who files claim for annuity;

(12) "service" means employment creditable under section 8332 of this title;

(13) "military service" means honorable active service—

(A) in the armed forces;

(B) in the Regular or Reserve Corps of the Public Health Service after June 30, 1960; or

(C) as a commissioned officer of the Environmental Science Services Administration after June 30, 1961;

but does not include service in the National Guard except when ordered to active duty in the service of the United States;

(14) "Member service" means service as a Member and includes the period from the date of the beginning of the term for which elected or appointed to the date on which he takes office as a Member;

(15) "price index" means the Consumer Price Index (all items—United States city average) published monthly by the Bureau of Labor Statistics; [and]

(16) "base month" means the month for which the price index showed a percent rise forming the basis for a cost-of-living annuity increase [.] *;*

(17) *"normal cost" means the entry-age normal cost computed by the Civil Service Commission in accordance with generally accepted actuarial practice and expressed as a level percentage of aggregate basic pay;*

(18) "Fund balance" means the sum of—

(A) the investments of the Fund calculated at par value; and

(B) the cash balance of the Fund on the books of the Treasury;

(19) "unfunded liability" means the estimated excess of the present value of all benefits payable from the Fund to employees and Members, and former employees and Members, subject to this subchapter, and to their survivors, over the sum of—

(A) the present value of deductions to be withheld from the future basic pay of employees and Members currently subject to this subchapter and of future agency contributions to be made in their behalf; plus

(B) the present value of Government payments to the Fund under section 8348(f) of this title; plus

(C) the Fund balance as of the date the unfunded liability is determined.

* * * * * * *

§ 8334. Deductions, contributions, and deposits

[(a) The employing agency shall deduct and withhold 6½ percent of the basic pay of an employee and 7½ percent of the basic pay of a Member, and an equal amount shall be contributed from the appropriation or fund used to pay the employee or, in the case of an elected official, from an appropriation or fund available for payment of other salaries of the same office or establishment. When an employee in the legislative branch is paid by the Clerk of the House of Representatives, the Clerk may pay from the contingent fund of the House the contribution that otherwise would be contributed from the appropriation or fund used to pay the employee. The amounts so deducted and withheld, together with the amounts so contributed, shall be deposited in the Treasury of the United States to the credit of the Fund under such procedures as the Comptroller General of the United States may prescribe. Deposits made by an employee or Member under this section also shall be credited to the Fund.]

(a)(1) For pay periods beginning after December 31, 1968, the employing agency shall deduct and withhold 7 percent of the basic pay of an employee and 8 percent of the basic pay of a Member. An equal amount shall be contributed from the appropriation or fund used to pay the employee or, in the case of an elected official, from an appropriation or fund available for payment of other salaries of the same office or establishment. When an employee in the legislative branch is paid by the Clerk of the House of Representatives, the Clerk may pay from the contingent fund of the House the contribution that otherwise would be contributed from the appropriation or fund used to pay the employee.

(2) The Civil Service Commission shall determine when an adjustment in the percentage of deductions prescribed by paragraph (1) of this subsection is necessary to meet fully the normal cost of the benefits then in effect, and shall transmit notice of proposed adjustment to the

President of the Senate and the Speaker of the House of Representatives. Any proposed adjustment shall become effective at the beginning of the first full pay period which commences at least 90 calendar days (of continuous session of Congress, computed in accordance with section 906(b) of this title) after transmittal of the notice, unless before that date—

(A) either House of the Congress has passed legislation which provides for a different adjustment; or

(B) either House of the Congress has passed a resolution which specifically disapproves the adjustment proposed by the Commission.

The same percentage adjustment, fixed at the nearest multiple of 1/4 of 1 percent, shall be applied to each percentage prescribed by paragraph (1) of this subsection. Not more than one adjustment shall be proposed in any calendar year.

(3) The amounts so deducted and withheld, together with the amounts so contributed, shall be deposited in the Treasury of the United States to the credit of the Fund under such procedures as the Comptroller General of the United States may prescribe. Deposits made by an employee or Member also shall be credited to the Fund.

(b) Each employee or Member is deemed to consent and agree to these deductions from basic pay. Notwithstanding any law or regulation affecting the pay of an employee or Member, payment less these deductions is a full and complete discharge and acquittance of all claims and demands for regular services during the period covered by the payment, except the right to the benefits to which the employee or Member is entitled under this subchapter.

[(c) Each employee or Member credited with civilian service after July 31, 1920, for which retirement deductions or deposits have not been made, may deposit with interest an amount equal to the following percentages of his basic pay received for that service:

	Percentage of basic pay	Service period
[Employee	2½	August 1, 1920, to June 30, 1926.
	3½	July 1, 1926, to June 30, 1942.
	5	July 1, 1942, to June 30, 1948.
	6	July 1, 1948, to October 31, 1956.
	6½	After October 31, 1956.
Member for Member service.	2½	August 1, 1920, to June 30, 1926.
	3½	July 1, 1926, to June 30, 1942.
	5	July 1, 1942, to August 1, 1946.
	6	August 2, 1946, to October 31, 1956.
	7½	After October 31, 1956.]

(c) Each employee or Member credited with civilian service after July 31, 1920, for which retirement deductions or deposits have not been made, may deposit with interest an amount equal to the following percentages of his basic pay received for that service, plus each increase in the deduction percentage prescribed under subsection (a)(2) of this section for periods of service to which the increase applies:

	Percentage of basic pay	*Service period*
Employee	*2½*	*August 1, 1920, to June 30, 1926.*
	3½	*July 1, 1926, to June 30, 1942.*
	5	*July 1, 1942, to June 30, 1948.*
	6	*July 1, 1948, to October 31, 1956.*
	6½	*November 1, 1956, to December 31, 1968.*
	7	*After December 31, 1968.*
Member for Member service	*2½*	*August 1, 1920, to June 30, 1926.*
	3½	*July 1, 1926, to June 30, 1942.*
	5	*July 1, 1942, to June 30, 1946.*
	6	*August 2, 1946, to October 31, 1956.*
	7½	*November 1, 1956, to December 31, 1968.*
	8	*After December 31, 1968.*

(d) Each employee or Member who has received a refund of retirement deductions under this or any other retirement system established for employees of the Government covering service for which he may be allowed credit under this subchapter may deposit the amount received, with interest. Credit may not be allowed for the service covered by the refund until the deposit is made.

(e) Interest under subsection (c) or (d) of this section is computed from the mid-point of each service period included in the computation, or from the date refund was paid, to the date of deposit or commencing date of annuity, whichever is earlier. The interest is computed at the rate of 4 percent a year to December 31, 1947, and 3 percent a year thereafter compounded annually. The deposit may be made in one or more installments. Interest may not be charged for a period of separation from the service which began before October 1, 1956.

(f) Under such regulations as the Civil Service Commission may prescribe, amounts deducted under subsection (a) of this section and deposited under subsections (c) and (d) of this section shall be entered on individual retirement records.

(g) Deposit may not be required for—

(1) service before August 1, 1920;

(2) military service;

(3) service for the Panama Railroad Company before January 1, 1924; **[or]**

(4) service performed before January 1, 1950, by natives of the Pribilof Islands in the taking and curing of fur seal skins and other activities in connection with the administration of the Pribilof Islands **[.]** *; or*

(5) days of unused sick leave credited under section 8339(1) of this title.

(h) For the purpose of survivor annuity, deposits authorized by subsections (c) and (d) of this section may also be made by the survivor of an employee or Member.

* * * * * * *

§ 8339. Computation of annuity

(a) Except as otherwise provided by this section, the annuity of an employee retiring under this subchapter is—

(1) 1½ percent of his average pay multiplied by so much of his total service as does not exceed 5 years; plus

(2) 1¾ percent of his average pay multipled by so much of his total service as exceeds 5 years but does not exceed 10 years; plus

(3) 2 percent of his average pay multiplied by so much of his total service as exceeds 10 years.

However, when it results in a larger annuity, 1 percent of his average pay plus $25 is substituted for the percentage specified by paragraph (1), (2), or (3) of this subsection, or any combination thereof.

(b) The annuity of a Congressional employee, or former Congressional employee, retiring under this subchapter is computed under subsection (a) of this section, except, if he had had—

(1) at least 5 years' service as a Congressional employee or Member or any combination thereof; and

(2) deductions withheld from his pay or has made deposit covering his last 5 years of civilian service;

his annuity is computed with respect to so much of his service as a Congressional employee and his military service as does not exceed a total of 15 years and any Member service, by multiplying 2½ percent of his average pay by the years of that service.

(c) The annuity of a Member, or former Member with title to Member annuity, retiring under this subchapter is computed under subsection (a) of this section, except, if he has had at least 5 years' service as a Member or Congressional employee or any combination thereof, his annuity is computed with respect to—

(1) his service as a Member and so much of his military service as is creditable for the purpose of this paragraph; and

(2) so much of his Congressional employee service as does not exceed 15 years;

by multiplying 2½ percent of his average pay by the years of that service.

(d) The annuity of an employee retiring under section 8336(c) of this title is 2 percent of his average pay multiplied by his total service.

(e) The annuity computed under subsections (a)–(d) of this section may not exceed 80 percent of—

(1) the average pay of the employee; or

(2) the greater of—

(A) the final basic pay of the Member; or

(B) the final basic pay of the appointive position of a former member who elects to have his annuity computed or recomputed under section 8344(b)(1) of this title.

(f) The annuity of an employee or Member retiring under section 8337 of this title is at least the smaller of—

(1) 40 percent of his average pay; or

(2) the sum obtained under subsections (a)–(c) of this section after increasing his service of the type last performed by the period elapsing between the date of separation and the date he becomes 60 years of age.

However, this subsection does not increase the annuity of a survivor.

(g) The annuity computed under subsections (a), (b), and (e) of this section for an employee retiring under section 8336(d) of this title is reduced by ⅙ of 1 percent for each full month the employee is under 55 years of age at the date of separation. The annuity computed under subsections (c) and (e) of this section for a Member retiring under the second or third sentence of section 8336(f) of this title or the third sentence of section 8338(b) of this title is reduced by $\frac{1}{12}$ of 1 percent for each full month not in excess of 60 months, and $\frac{1}{6}$ of 1 percent for each full month in excess of 60 months, the Member is under 60 years of age at the date of separation.

(h) The annuity computed under subsections (a)–(g) of this section is reduced by 10 percent of a deposit described by section 8334 (c) of this title remaining unpaid, unless the employee or Member elects to eliminate the service involved for the purpose of annuity computation.

(i) The annuity computed under subsections (a)–(h) of this section (excluding any increase because of retirement under section 8337 of this title) for a married employee or Member retiring under this subchapter, or any portion of that annuity designated in writing for the purpose of section 8341(b) of this title by the employee or Member at the time of retirement, is reduced by 2½ percent of so much thereof as does not exceed $3,600 and by 10 percent of so much thereof as exceeds $3,600, unless the employee or Member notifies the Civil Service Commission in writing at the time of retirement that he does not desire his spouse to receive an annuity under section 8341(b) of this title.

(j) At the time of retiring under section 8336 or 8338 of this title, an unmarried employee or Member who is found to be in good health by the Commission may elect a reduced annuity instead of an annuity computed under subsections (a)–(h) of this section and name in writing an individual having an insurable interest in the employee or Member to receive an annuity under section 8341(c) of this title after the death of the retired employee or Member. The annuity of the employee or Member making the election is reduced by 10 percent, and by 5 percent for each full 5 years the individual named is younger than the retiring employee or Member. However, the total reduction may not exceed 40 percent.

(k) The annuity computed under subsections (a)–(j) of this section for an employee who is a citizen of the United States is increased by $36 for each year of service in the employ of—

(1) the Alaska Engineering Commission, or The Alaska Railroad, in Alaska between March 12, 1914, and July 1, 1923; or

(2) the Isthmian Canal Commission, or the Panama Railroad Company, on the Isthmus of Panama between May 4, 1904, and April 1, 1914.

(l) In computing any annuity under subsections (a)–(d) of this section, the total service of an employee who retires on an immediate annuity or dies leaving a survivor or survivors entitled to annuity shall include the days of unused sick leave to his credit, except that these days shall not be counted in determining average pay or annuity eligibility under this subchapter or in computing service under section 8342(h) of this title.

§ 8340. Cost-of-living adjustment annuities

* * * * * * *

(b) Each month the Commission shall determine the percent change in the price index. Effective the first day of the third month that begins after the price index change equals a rise of at least 3 percent for 3 consecutive months over the price index for the base month, each annuity payable from the Fund having a commencing date not later than that effective date shall be increased by *1 percent plus* the percent rise in the price index (calculated on the highest level of the price index during the 3 consecutive months) adjusted to the nearest 1/10 of 1 percent.

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§ 8348. Civil Service Retirement and Disability Fund

[(a) There is a Civil Service Retirement and Disability Fund. The Fund is appropriated for payment of—

(1) benefits as provided by this subchapter; and

(2) administrative expenses incurred by the Civil Service Commission in placing in effect each annuity adjustment granted under section 8340 of this title.]

(a) There is a Civil Service Retirement and Disability Fund. The Fund—

(1) is appropriated for the payment of—

(A) benefits as provided by this subchapter; and

(B) administrative expenses incurred by the Civil Service Commission in placing in effect each annuity adjustment granted under section 8340 of this title; and

(2) is made available, subject to such annual limitation as the Congress may prescribe, for any expenses incurred by the Commission in connection with the administration of this chapter and other retirement and annuity statutes.

(b) The Secretary of the Treasury may accept and credit to the Fund money received in the form of a donation, gift, legacy, or bequest, or otherwise contributed for the benefit of civil-service employees generally.

(c) The Secretary shall immediately invest in interest-bearing securities of the United States such currently available portions of the Fund as are not immediately required for payments from the Fund. The income derived from these investments constitutes a part of the Fund.

(d) The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are extended to authorize the issuance at par of public-debt obligations for purchase by the Fund. The obligations issued for purchase by the Fund shall have maturities fixed with due regard for the needs of the Fund and bear interest at a rate equal to the average market yield computed as of the end of the calendar month next preceding the date of the issue, borne by all marketable interest-bearing obligations of the United States then forming a part of the public debt which are not due or callable until after the expiration of 4 years from the end of that calendar month. If the average market yield is not a multiple of 1/8 of 1 percent, the rate of interest on the obligations shall be the multiple of 1/8 of 1 percent nearest the average market yield.

(e) The Secretary may purchase other interest-bearing obligations of the United States, or obligations guaranteed as to both principal and interest by the United States, on original issue or at the market price only if he determines that the purchases are in the public interest.

[(f) The Commission shall submit estimates of the appropriations necessary to finance the Fund on a normal cost plus interest basis and to carry out this subchapter.

[(g) Money now or hereafter contained in the Fund may not be used to pay an increase in annuity benefits or a new annuity benefit under this subchapter or an earlier statute which is authorized by amendment thereof until and unless an appropriation is made to the Fund in an amount which the Commission estimates to be sufficient to prevent an immediate increase in the unfunded accrued liability of the Fund.]

(f) Any statute which authorizes—

(1) new or liberalized benefits payable from the Fund, other than any increase in those annuities which begin on or before the effective date of the increase;

(2) extension of coverage to new groups of employees; or

(3) increases in pay on which benefits are computed;

shall be held and considered to authorize appropriations to the Fund to finance the unfunded liability created by that statute, in equal annual installments over the 30-year period beginning at the end of the fiscal year in which the statute is enacted, with interest computed at the rate used in the then most recent valuation of the Civil Service Retirement System and with the first payment thereof due as of the end of the fiscal year in which the statute is enacted.

(g) At the end of each fiscal year beginning with 1971, the Commission shall notify the Secretary of the Treasury of the amount equivalent to interest on the unfunded liability computed for that year at the interest rate used in the then most recent valuation of the System. Before closing the accounts for each year, the Secretary shall credit to the Fund, as a Government contribution, out of any money in the Treasury not otherwise appropriated, the following percentages of the amounts equivalent to interest on the unfunded liability: 10 percent for 1971; 20 percent for 1972; 30 percent for 1973; 40 percent for 1974; 50 percent for 1975; 60 percent for 1976; 70 percent for 1977; 80 percent for 1978; 90 percent for 1979; and 100 percent for 1980 and for each year thereafter. The Commission shall report to the President and to the Congress the sums credited to the Fund uder this subsection.

(h) Each annuity increase authorized by statute enacted after December 31, 1968, and each increase thereafter effectuated under section 8340 of this title, shall be paid from the Fund. Any such increase shall not be payable for any fiscal year which begins more than one year after the effective date of that increase unless and until an appropriation is made by the Congress to compensate the Fund for the cost, as determined by the Commission, of the increase for that fiscal year. For any fiscal year for which the appropriation is not made, benefits under this subchapter shall be determined and paid as though the increase had not been allowed. Nothing contained in this subsection shall prevent payment of any increase for any fiscal year for which the Congress makes the appropriation.

(i) At the end of each fiscal year beginning with 1970, the Secretary of Defense shall pay into the Fund an amount, as determined by the Commission, sufficient to cover those annuity disbursements made during that fiscal year which are attributable to military service.

(j) For each employee who has unused sick leave to his credit and

who retires on an immediate annuity or dies leaving a survivor or survivors entitled to annuity, the employing agency shall, under procedures prescribed by the Commission, pay into the Fund an amount equal to 25 percent of the employee's final hourly pay rate multiplied by the number of hours of unused sick leave to his credit.

INDEPENDENT OFFICES APPROPRIATION ACT, 1962
(75 STAT. 345)

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CIVIL SERVICE COMMISSION

* * * * * * *

PAYMENT TO CIVIL SERVICE RETIREMENT AND DISABILITY FUND

For financing the annuity benefits and increases provided by the Act of June 25, 1958 (72 Stat. 218), $44,637,000, to be credited to the civil service retirement and disability fund [: *Provided*, That the Civil Service Commission shall include annually, in its estimates to the Bureau of the Budget, estimates of the appropriations necessary to reimburse the civil service retirement and disability fund for the amounts paid out of the fund by reason of the enactment of Public Law 85–465, and the Bureau of the Budget shall submit such estimates annually to the Congress].

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